Tax Transparency Code – AASB Draft Guidance – FAQs and call for feedback

Australian Government
Australian Accounting Standards Board

In a **webinar hosted by Wolters Kluwer** on 26 June, AASB Chair Kris Peach walked participants through the **AASB's draft guidance** prepared to help corporations meet the Voluntary Tax Transparency Code (TTC) recommendations. Kris was joined by Karen Payne, CEO of the Board of Taxation, who provided background and history of the Voluntary TTC.

During the webinar, a number of participants raised questions about calculating TTC effective tax rates (ETRs). We have set out below some of the commonly asked questions, and our answers, as frequently asked questions.

Get involved

The draft guidance to the voluntary TTC is open for comment until 28 February 2018. If you have comments or questions on the draft guidance to the TTC, you can:

→ participate in a short **online survey**
→ email us at **standard@aasb.gov.au**
→ make a submission via **the AASB website**.

FAQs

1. **Is the numerator of the TTC ETR, company tax expense, the same as income tax expense (ie deferred and current tax expense)?**

2. **Is the income tax incurred calculated as tax payable or accounting tax expense?**

3. **My entity has made adjustments that relate to a prior income year that has been recognised through the current year's profit and loss as a change in estimate. Should I adjust the current year TTC ETR for any such amounts?**

4. **Is there a good example of a TTC ETR disclosure and reconciliation in a recent actual company's financial statements available?**

5. **How should an accounting loss and / or tax loss be reflected in the TTC ETR calculation?**

1. Is the numerator of the TTC ETR, company tax expense, the same as income tax expense (ie deferred and current tax expense)?

The TTC ETR is intended to reflect an entity's corporate income tax position for an income year, so where an entity incurs other taxes (eg Petroleum Resources Rent Tax) that are included in its income tax expense, these taxes should be excluded from the entity's calculation of company tax expense.

Company tax expense should include both current and deferred corporate tax expense amounts.

Company tax expense and income tax expense can be the same in instances where the company only incurs foreign and domestic corporate income tax expense, and no other taxes treated as an income tax for accounting purposes.

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2. Is the income tax incurred calculated as tax payable or accounting tax expense?

Refer to Table 1, and paragraphs 30 to 31 of the draft TTC guidance for an explanation on how to calculate company tax expense, and how company tax expense can be different to income tax expense.

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3. My entity has made adjustments that relate to a prior income year that has been recognised through the current year's profit and loss as a change in estimate. Should I adjust the current year TTC ETR for any such amounts?

Yes, to the extent the tax adjustments relating to a prior period change have been recognised in current period profit and loss and are material, these amounts should be excluded from the calculation of the current year's TTC ETR (see paragraph 31 of the draft TTC guidance).

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4. Is there a good example of a TTC ETR disclosure and reconciliation in a recent actual company's financial statements available?

SEEK Limited's **TTC ETR in Note 6 to the Financial Statements for the 2017 income year** is a useful example.

The ATO maintains **a listing of TTC reports published by entities** and respective links to the reports.

KPMG's **illustrative disclosures for Example Public Company Limited for 2016-17** set out an example of how an entity could set out its Part A TTC disclosures in its annual report.

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5. How should an accounting loss and / or tax loss be reflected in the TTC ETR calculation?

Where an entity incurs an accounting and/or tax loss for an income year, the TTC ETR of nil may not communicate useful information to users about an entity's corporate income tax position. Entities should consider whether other qualitative information, such as an accompanying narrative, could more clearly explain the context of why the TTC ETR differs from the corporate tax rate to users. A negative ETR is not recommended.

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